

Alexander Dennis Limited

**Annual report and consolidated
financial statements**

31 December 2016

Registered number SC268016

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Strategic Report

The results of the year are set out in the profit and loss account on page 9.

Chief Executive's Review

This proved to be another year of solid financial performance for Alexander Dennis Limited ("ADL") with a very strong domestic market in 2016 offsetting the anticipated softer demand in Asia Pacific. We have continued to invest in new products and markets in order to capitalise on future growth opportunities and build a more resilient business both in terms of sales and profitability.

UK Market

We recorded record revenues in the UK market in 2016. Vehicle sales were up a significant 23% on the previous year to £356 million (2015 - £289 million). We were also able to grow our share of new bus registrations by 11 percentage points from our 2015 market leading position in the UK. The market's strength was due to the end of year deadline for compliance with the Disability Discrimination Act for all UK double deck operators. Many of our customers updated their double deck fleets and we registered a total of 1,444 new buses, a record for ADL.

London however proved more challenging in 2016. Transport for London ordered further significant volumes of the New Routemaster from one of our competitors although this contract will expire in early 2017 as announced by London Mayor, Sadiq Khan. We delivered our first 51 full-electric Enviro 200's in London in collaboration with our partner BYD. These buses are performing well and we have already won additional orders and will expand the full electric zero emissions product line progressively during 2017. We anticipate growing demand as London continues to invest further in zero emission vehicles and provincial towns and cities adopt this new technology.

International Markets

Vehicle sales in our international markets declined to £187 million in 2016 (2015 - £261 million) as a direct result of lower volumes in Hong Kong. This followed an exceptionally strong 2015 in that market when the main operators replaced vehicles in line with mandated age limits. 2016 saw a return to more normal volumes. Our other Asia Pacific markets were generally in line with the prior year. We expect an increased level of customer tender activity in these markets in 2017 however the exact timing of any resulting revenue is not yet clear.

We grew our sales in North America in 2016 as demand was stronger in Canada. We delivered our first low-height Enviro 500 double deck vehicles to Metrolinx in Toronto under a multi-year supply contract worth around CAD \$500 million through to 2020. This breakthrough contract is helping to underpin further investment in the region. At the end of the year we acquired our own vehicle manufacturing facility in Indiana to complement our existing facility in Toronto. This will support both the Metrolinx contract and other sales prospects in the region as we extend our product offering in these markets.

During the year we secured our first order in Mexico for delivery of double deck vehicles in 2017 with a value in excess of £30 million. These vehicles will be built in the UK.

Financial Performance

Turnover in 2016 was unchanged on 2015 at £601 million (2015 - £602 million). Earnings rose slightly with profit before tax increasing to £24 million (2015 - £23 million) and our underlying operating margins from 4.2% to 4.4%. The change in sales profile in 2016 away from international markets towards our domestic market helped to reduce our working capital and as a result improved our cash generation in the year. Our operating cash flow was £23 million (2015 - £2 million) and we ended the year with net debt of £5 million (2015 - £13 million).

Of note is the fact that for the second year running the business exceeded sales of £600 million, testament to our strategy of building a sustainable enterprise with new vehicle revenues derived from the UK, Asia Pacific and increasingly North America as well as a thriving Aftermarket capability.

Strategic Report *(continued)*

Chief Executive's Review *(continued)*

Outlook

Our business is more competitive in international markets as a result of the weaker pound following the EU referendum. Equally we have a significant international supply chain and that is putting upward pressure on our costs.

We expect 2017 to be a year when we focus closely on our cost base taking advantage of our investment in strategic sourcing, manufacturing synergies and overhead "right sizing".

The exact timing of certain international customer tenders will have a close bearing on our 2017 performance however we are focusing on building a stronger and more resilient business for the longer term and this will continue to be our main priority.

Summary of financial results

As set out in the profit and loss account on page 9, the group made an operating profit of £26.2 million (2015: £25.1 million) and a pre tax profit of £23.7 million on turnover of £601 million. (2015: £23 million on turnover of £602 million). Key financial highlights are set out below:

	2016 £million	2015 £million
Turnover	601.2	601.9
EBITDA	39.1	37.5
Depreciation/amortisation	(12.1)	(11.3)
Non recurring costs	(0.8)	(1.1)
Operating profit	26.2	25.1

The principal risks and uncertainties affecting the business include the following:

- **Fluctuations in demand:** the Group monitors market information, sales prospects and orders on a regular basis to assist in anticipating future demand. Formal reviews are held on a monthly basis to ensure that we match this with our manufacturing capacity and supply chain commitments.
- **Raw material availability and prices:** the Group monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers. The business also seeks to reduce its risk from its supply base and every effort is made to dual source critical parts and components.
- **Foreign exchange risk:** a programme of regular monthly foreign exchange hedge contracts is undertaken to help mitigate the impact of fluctuations on our foreign currency purchases over a rolling two year period. All significant sales orders won in foreign currencies are hedged.
- **Interest rate risk:** as part of the Group interest rate management strategy, the Group monitors market interest rates on a regular basis. Where appropriate interest rate swaps and caps are used to mitigate potential future interest rate increases.
- **Environmental risks:** the Group places considerable emphasis upon environmental considerations and seeks to ensure ongoing compliance with relevant legislation.
- **Debtors:** the Group maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.
- **Major disruption/disaster:** the Group has a documented Business Continuity Plan with a supporting outline plan to deliver and is currently progressing to schedule.

Strategic Report *(continued)*

Summary of financial results *(continued)*

- New product, project and technology risk: in recognising this as a key risk the business has a well established New Product Development Executive Group consisting of key technical and commercial personnel to monitor technology developments and oversee all new product development. This Group has an established formally documented process for managing our development.
- All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.
- The effect of legislation or other regulatory activities: the bus and coach industry, like many others, is subject to regulatory forces, particularly with regard to emission controls; the Group manages its exposure in this area with dedicated technical resource and active involvement in trade bodies.
- Litigation: the directors are not aware of any material litigation against the group at the present time.

Key areas of strategic development and performance of the business include:

- Sales and marketing: in line with the Group's strategy, key customer relationships are monitored and developed on a regular basis. In addition a key focus is broadening our customer base in the UK and developing targeted markets overseas.
- New product development: new products continue to be developed for both existing and prospective markets and further product developments are underway under the supervision of the New Product Development Group.
- Manufacturing: during the year labour efficiencies and productivity improvements have been realised and new initiatives for process and efficiency improvements are constantly being developed.
- Health and Safety: the Group has adopted a single Health & Safety policy and oversees co-ordination of activities and the sharing of best practice at a group level. However, in each facility, ADL has specific Health and Safety teams, producing regular reports that are scrutinised up to Executive level.

Key financial performance indicators include the monitoring of the management of profitability and working capital.

Key non-financial performance indicators include the monitoring of our employees' health and safety.

	2016	2015	Measure
Financial			
Operating profit (£million)	26.2	25.1	Earnings before interest and tax
Current ratio	1.26	1.33	Current assets: current liabilities
Stock turnover	7.0	7.60	Turnover/stock
Debtor days	25.8	34.5	Trade debtors/average turnover
Creditor days	50.6	63.9	Trade creditors/average purchases
Non-financial			
Number of reportable accidents	21	13	Reportable accidents

Financing

The Group's business activities and current position as well as information on its cash flows and borrowings are contained within this report and the notes to the financial statements.

The core funding of the business is achieved through the use of both shareholders' funds and bank debt. The Group's bank facilities are committed until June 2018.

Our funding requirement can fluctuate over the course of a year, driven by our international activity as well as seasonal and other factors. We manage cash utilisation closely across each of our business units and on a consolidated basis. Rolling six-monthly cash forecasts are prepared every week and reviewed in detail. Cash forecasts beyond this period are updated and reviewed every month.

Strategic Report *(continued)*

Financing *(continued)*

After taking into account the current order book, our best estimate of future market conditions, the underlying operational performance of the business and the level of unutilised committed bank facilities, the Group's most recent forecasts show that the Group will be able to operate within its facilities.

All banking covenants were satisfied during 2016 and are forecast to remain so for the period covered by the financial projections.

By order of the board



Colin Robertson
Chief Executive

16 Charlotte Square
Edinburgh
EH2 4DF

17 March 2017

Directors' report

Principal activities

The business conducted by the Company and Group is bus body and chassis manufacture, coach body manufacture and the related aftermarket activities of spare parts provision and service support.

Results and dividends

The Group profit after interest and tax for the financial year amounts to £19,764,000 (2015: £18,534,000).

A dividend of £8,000,000 was approved and paid during the year ended 31 December 2016 (2015: £7,815,000).

Directors

The directors who held office during the year were as follows:

a. Non-Executive

David Harraghy	Investor Director
Steve Clayton	Non-Executive Director
David Giffin	Non-Executive Director

b. Executive

Colin Robertson	Chief Executive
Michael Stewart	Finance Director
Arthur Whiteside	Sales and Aftermarket Director

In accordance with the Articles of Association, the directors are not subject to retirement by rotation.

Employees

Applications for employment of disabled persons will always be considered, bearing in mind the aptitudes and abilities of the individual concerned. Where members of staff become disabled, every effort is made to ensure their continuing employment with the group, with appropriate training where necessary, in accordance with the Group policy, namely that training, career development and promotion prospects be identical to those of equivalent, non disabled employees.

It is Group policy to keep employees advised of the achievements and progress of the Group.

Political contributions

The Group made no political donations or incurred any political expenditure during the year (2015: £nil).

The Group made charitable donations amounting to £3,820 (2015: £3,691).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

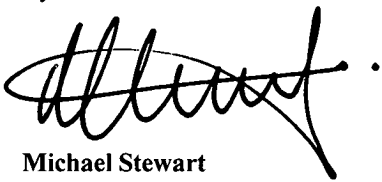
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A handwritten signature in black ink, appearing to read 'Michael Stewart', with a large, stylized flourish extending from the end of the signature.

Michael Stewart
Finance Director

16 Charlotte Square
Edinburgh
EH2 4DF

17 March 2017

Statement of directors' responsibilities in respect of the annual report, strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

319 St Vincent Street
Glasgow
G2 5AS

Independent auditor's report to the members of Alexander Dennis Limited

We have audited the financial statements of Alexander Dennis Limited for the year ended 31 December 2016 set out on pages 9 to 42. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Charles

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

17 March 2017

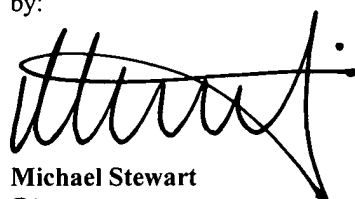
Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2016

	<i>Note</i>	2016 Total £000	2015 Total £000
Turnover	3	601,240	601,906
Cost of sales		(512,837)	(509,784)
Gross profit		88,403	92,122
Distribution costs		(21,400)	(23,748)
Administrative expenses		(40,835)	(43,239)
Profit before depreciation, amortisation and non-recurring costs		39,144	37,489
Depreciation and amortisation		(12,141)	(11,259)
Non recurring costs	4	(835)	(1,095)
Group operating profit		26,168	25,135
Other interest receivable and similar income	7	20	498
Interest payable and similar expenses	8	(2,456)	(2,633)
Profit before taxation		23,732	23,000
Tax on profit	9	(3,968)	(4,466)
Profit for the financial year		19,764	18,534
Other comprehensive income			
Foreign exchange differences on translation of foreign operations	24	(8,658)	4,522
Cash flow hedging	24	(5,084)	14,488
Taxation on hedging instruments	9, 24	1,420	(2,901)
Other comprehensive income for the year, net of tax		(12,322)	16,109
Total comprehensive income for the year		7,442	34,643

Balance Sheets
At 31 December 2016

	<i>Note</i>	Group		Company	
		2016	2015	2016	2015
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10	40,973	41,204	41,729	41,866
Tangible assets	11	17,154	14,986	14,480	13,560
Investments	12	-	-	1,935	1,782
		58,127	56,190	58,144	57,208
Current assets					
Stocks	14	85,902	79,197	78,483	74,172
Debtors	15	94,667	131,345	98,028	124,872
Debtors – due after more than one year	15	-	-	4,563	10,304
Other financial assets	13	14,309	7,230	16,995	7,694
Other financial assets – due after more than one year	13	4,825	10,235	5,629	10,267
Cash at bank and in hand	16	22,219	33,420	16,722	23,028
		221,922	261,427	220,420	250,337
Creditors: amounts falling due within one year	17	(175,492)	(196,814)	(129,016)	(146,454)
Net current assets		46,430	64,613	91,404	103,883
Total assets less current liabilities		104,557	120,803	149,548	161,091
Creditors: amounts falling due after more than one year	18	(30,581)	(46,721)	(77,233)	(102,463)
Provisions for liabilities					
Deferred tax liability	21	(2,570)	(5,414)	(5,761)	(5,474)
Warranty provision	22	(7,399)	(4,103)	(4,092)	(2,670)
		(40,550)	(56,238)	(87,086)	(110,607)
Net assets		64,007	64,565	62,462	50,484
Capital and reserves					
Called up share capital	24	170	170	170	170
Share premium account		16,911	16,911	16,911	16,911
Capital redemption reserve		1	1	1	1
Cash flow hedging reserve		7,788	11,452	10,016	11,684
Profit and loss account		39,137	36,031	35,364	21,718
Shareholders' funds		64,007	64,565	62,462	50,484

These financial statements were approved by the board of directors on 17 March 2017 and were signed on its behalf by:



Michael Stewart
Director

Company registered number: SC268016

Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Cash flow hedging reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2015	170	16,911	1	(135)	20,790	37,737
Total comprehensive income for the period						
Profit or loss	-	-	-	-	18,534	18,534
Other comprehensive income (see note 24)	-	-	-	11,587	4,522	16,109
Total comprehensive income for the period	-	-	-	11,587	23,056	34,643
Dividends	-	-	-	-	(7,815)	(7,815)
Total contributions by and distributions to owners	-	-	-	-	(7,815)	(7,815)
Balance at 31 December 2015	170	16,911	1	11,452	36,031	64,565
	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Cash flow hedging reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 January 2016	170	16,911	1	11,452	36,031	64,565
Total comprehensive income for the period						
Profit or loss	-	-	-	-	19,764	19,764
Other comprehensive income (see note 24)	-	-	-	(3,664)	(8,658)	(12,322)
Total comprehensive income for the period	-	-	-	(3,664)	11,106	7,442
Dividends	-	-	-	-	(8,000)	(8,000)
Total contributions by and distributions to owners	-	-	-	-	(8,000)	(8,000)
Balance at 31 December 2016	170	16,911	1	7,788	39,137	64,007

Company Statement of Changes in Equity

	Called up share capital	Share premium account	Capital redemption reserve	Cash flow hedging reserve	Profit & loss account	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2015	170	16,911	1	197	10,265	27,544
Total comprehensive income for the period						
Profit or loss	-	-	-	-	19,167	19,167
Other comprehensive income (see note 24)	-	-	-	11,487	101	11,588
Total comprehensive income for the period	-	-	-	11,487	19,268	30,755
Dividends	-	-	-	-	(7,815)	(7,815)
Total contributions by and distributions to owners	-	-	-	-	(7,815)	(7,815)
Balance at 31 December 2015	170	16,911	1	11,684	21,718	50,484
	Called up share capital	Share premium account	Capital redemption reserve	Cash flow hedging reserve	Profit & loss account	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2016	170	16,911	1	11,684	21,718	50,484
Total comprehensive income for the period						
Profit or loss	-	-	-	-	20,950	20,950
Other comprehensive income (see note 24)	-	-	-	(1,668)	696	(972)
Total comprehensive income for the period	-	-	-	(1,668)	21,646	19,978
Dividends paid	-	-	-	-	(8,000)	(8,000)
Total contributions by and distributions to owners	-	-	-	-	(8,000)	(8,000)
Balance at 31 December 2016	170	16,911	1	10,016	35,364	62,462

Consolidated Cash Flow Statement for year ended 31 December 2016

Cash flow statement	Note	2016 £000	2015 £000
Net cash from operating activities	32	23,212	2,025
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		80	15
Proceeds from sale of intangible assets		-	194
Acquisition of tangible fixed assets		(6,323)	(4,133)
Acquisition of other intangible assets	10	(8,044)	(7,631)
Net cash from investing activities		(14,287)	(11,555)
Cash flows from financing activities			
Repayment of borrowings		(20,000)	-
Payments to acquire derivative financial instruments		-	(914)
Payment of finance lease liabilities		(126)	(116)
Net cash from financing activities		(20,126)	(1,030)
Net decrease in cash and cash equivalents		(11,201)	(10,560)
Cash and cash equivalents at the start of the year		33,420	43,980
Cash and cash equivalents at the end of the year	16	22,219	33,420

Reconciliation of net cash flow to movement in net debt for year ended 31 December 2016

	Note	2016 £000	2015 £000
Decrease in cash in the year		(11,201)	(10,560)
Cash inflow from movement in debt	31	20,126	116
Non cash movement	31	(246)	(196)
Decrease/(increase) in net debt in the year		8,679	(10,640)
Net debt at the start of the year	31	(13,370)	(2,730)
Net debt at the end of the year	31	(4,691)	(13,370)

Notes

(forming part of the financial statements)

1 Accounting policies

Alexander Dennis Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in September 2015. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Group company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss or other comprehensive income. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

1 Accounting policies (continued)

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Depreciation is recognised on the following bases:

Freehold buildings	2.8% straight line
Leasehold property/improvements	Over the lease term
Heavy plant and machinery	10% straight line
Light plant and machinery	20% straight line
Office equipment/fixtures	20% straight line
Computer equipment and software	33% straight line
Motor vehicles	25% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to 31 December 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

1.8 Intangible assets and goodwill

Goodwill

Goodwill, representing the difference between the fair value of the consideration given and the fair value of the separable net assets acquired, is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life, currently estimated by the directors at 20 years. Goodwill is tested for impairment in the first accounting period following each major acquisition and, thereafter, if conditions of potential impairment are deemed to exist.

Research and development – New Product Development

Where the directors are satisfied as to the technical, commercial and financial viability of individual new product development projects, the related identifiable development expenditure is capitalised as an intangible asset. This is then amortised over the period during which the Group is expected to benefit from such expenditure in the form of new product sales, but not so as to extend beyond a period of 7 years for buses and for coaches, commencing from initial product sale.

Where doubts subsequently arise over project viability, provision is made for impairment of the relevant costs incurred.

Notes (continued)

1 Accounting policies (continued)

1.8 Intangible assets and goodwill (continued)

Other intangible assets

Patents and trademark costs incurred by the Group are capitalised at cost and amortised over 20 years, as this is the expected useful life of the assets.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- patents and trademarks 20 years
- capitalised development costs 5 years

Goodwill is amortised on a straight line basis over its useful life, which is estimated by the directors to be 20 years. Goodwill has no residual value.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.9 Discontinued operations

Discontinued operations are components of the group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

They are included in the profit and loss account in a separate row for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials and direct labour and an attributable proportion of manufacturing overhead based upon the normal levels of activity.

Provision is made for obsolete, slow moving or defective items where appropriate.

1.11 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.13 Warranty provision

A provision for warranty is recognised in the balance sheet when the underlying products are entered into service. The provision is based upon historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Additionally, the group includes within its warranty provision amounts for field campaigns identified within the relevant vehicle park.

Notes (continued)

1 Accounting policies (continued)

1.14 Turnover

Turnover represents revenue from the manufacture and sale of bus and coach chassis, bus and coach bodies, complete buses and coaches, bus kits and the provision of aftermarket services, including the sale of spare parts.

Turnover, excluding sales related taxes, is recognised when:

- a supply contract exists;
- sales consideration is capable of reliable measurement and collectability is reasonably assured;
- contractual commitments have been discharged.

Certain vehicle export sales contracts for the construction of a group of vehicles where the customer specifies the major structural elements of design, which extend beyond the balance sheet date and which are material to the overall results of the group are accounted for as long term contracts notwithstanding that the duration of the contract may be for less than one year.

The amount of profit attributable to the stage of completion of such contracts is recognised when the outcome of each contract can be foreseen with reasonable certainty. Turnover in relation to such contracts is stated at the value appropriate to their stage of completion plus attributable profit; provision is made for any losses as soon as they are foreseen. Such contracts are held in the balance sheet (classified as amounts recoverable on contracts) at cost incurred plus attributable profit, net of amounts transferred to the profit and loss account and after deducting payments on account. Where payments on account exceed the cumulative costs incurred plus attributable profit, the excess is shown under creditors falling due within one year.

Parts supply contracts

Certain parts supply contracts entered into in relation to the aftermarket division extend to several years in duration and therefore result in the group having parts supply commitments which extend beyond the balance sheet date. Income in relation to such contracts, however, may be received evenly over the duration of the relevant contracts. In these circumstances, income is deferred so as to match revenue with the relevant parts supply commitments to be incurred in later periods. Turnover deferred in relation to such contracts is shown under creditors falling due within one year.

1.15 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Accounting estimates and judgements

Key sources of estimation uncertainty

Impairment of Group assets

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows of the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Assessment of hedge effectiveness

The assessment of hedge effectiveness is in line with industry standards, and takes into consideration the estimated value of the hedged item at the time of hedging, and the actual value of the hedged item upon its completion. This requires estimation of future transactions, which can be impacted by both internal and external delays.

Forward exchange rates applied in determining fair value of derivative financial instruments

The forward exchange rates are based on those detailed by the provider of the derivative financial instrument. There is a level of uncertainty regarding the rates as they can fluctuate between sources.

Critical accounting judgements in applying the Group's accounting policies

Revenue recognition on long term contracts

The amount of profit attributable to the stage of completion of certain vehicle export sales contracts is recognised when the outcome of each contract can be foreseen with reasonable certainty. This requires a degree of judgement, however management have significant experience in both estimation of the stage of completion and the overall contract profitability.

Useful lives of intangible assets

The Group establishes a reliable estimate of the useful life of intangible assets and/or goodwill arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business and the expected useful life of the cash generating units (CGUs) to which the intangible assets and/or goodwill is attributed.

Notes (continued)

2 Accounting estimates and judgements (continued)

Warranty provision

The Group provides for warranty on all new bus and coaches sold and for any field campaigns identified to the warranty park. The provision is calculated based upon historical warranty data and on assessment by management of any issues identified. As such, a degree of estimation is required in this process.

3 Turnover

The business operates within four geographical markets: the United Kingdom, Europe, Middle East and Africa, Asia Pacific and the Americas. Turnover by geographical market is analysed below:

	2016 £000	2015 £000
United Kingdom	403,855	335,998
Europe, Middle East and Africa	984	6,847
Asia Pacific	148,043	227,442
Americas	48,358	31,619
Total turnover	601,240	601,906

No geographical analysis of turnover by origin or segmental analysis of turnover and profit before tax is provided as the directors believe the provision of such information would be seriously prejudicial to the group's interests.

As detailed in note 1 accounting policies, the Group recognises turnover on certain bespoke vehicle export sales as long term construction contracts. In the year to 31 December 2016, turnover amounted on such contracts to £186 million (2015: £261 million).

Notes (continued)

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	2015 £000
Recurring		
(Gain)/loss on disposal of tangible assets	(8)	1
Gain on disposal of intangible assets	-	(101)
Operating lease charges	4,722	4,084
Foreign exchange gain	(4,668)	(1,007)
	<u>46</u>	<u>2,977</u>

	2016 £000	2015 £000
Non-recurring		
Redundancy and people related costs expensed as incurred	597	490
Disposal of Custom Coaches – other assets, liabilities and provisions	-	(385)
Professional fees - in relation to strategic review	-	990
Professional fees – in relation to acquisition of business	238	-
	<u>835</u>	<u>1,095</u>

<i>Auditor's remuneration</i>	2016 £000	2015 £000
Audit of these financial statements	90	86

Disclosures below based on amounts receivable in respect of other services to the company and its subsidiaries

Amounts receivable by the company's auditor and its associates in respect of:

Audit of financial statements of subsidiaries of the company	58	30
Audit-related assurance services	18	18
Other tax advisory services	130	24
All other services	2	62

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Production	1,855	1,857
Selling and administration	510	457
	<u>2,365</u>	<u>2,314</u>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	87,254	85,251
Social security costs	9,259	8,893
Contributions to defined contribution plans	3,641	3,534
Exceptional redundancy costs	597	390
	<u>100,751</u>	<u>98,068</u>

6 Directors' remuneration

	2016 £000	2015 £000
Directors' remuneration	2,145	1,996
Company contributions to money purchase pension plans	32	48
Amounts paid to third parties in respect of directors' services	22	30
	<u>2,199</u>	<u>2,074</u>

The aggregate of remuneration and amounts receivable of the highest paid director was £1,375,000 (2015: £1,132,000), and company pension contributions of £Nil (2015: £Nil) were made to a money purchase scheme on his behalf.

	Number of directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>3</u>	<u>3</u>

Notes (continued)

7 Other interest receivable and similar income

	2016 £000	2015 £000
Net gain on financial assets measured at fair value through profit or loss (excluding derivatives used in hedging arrangements)	-	448
Interest receivable	20	50
Total other interest receivable and similar income	20	498

8 Interest payable and similar expenses

	2016 £000	2015 £000
Interest payable on bank loans and overdrafts	1,189	1,488
Interest on stockholding facilities	25	10
Amortisation of bank loan facility charge	171	183
Other interest payable	605	580
Interest payable on invoice discounting	466	372
Total interest payable and similar charges	2,456	2,633

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	2015 £000
<i>Current tax</i>		
UK Corporation Tax		
- Current tax on income for the period	4,772	2,160
- Adjustments in respect of prior periods	(1,352)	(405)
Overseas tax		
- Current tax on income for the period	1,173	2,680
- Adjustments in respect of prior periods	720	(51)
Derivative financial instruments	-	(77)
Total current tax	5,313	4,307
<i>Deferred tax (see note 21)</i>		
Origination and reversal of timing differences	488	(294)
Adjustments in respect of prior periods	97	464
Overseas deferred tax		
- current year	(1,674)	(134)
- adjustments in respect of prior periods	(256)	46
Derivative financial instruments	(1,420)	2,978
Total deferred tax	(2,765)	3,060
Total tax	2,548	7,367

Notes (continued)

9 Taxation (continued)

	Current tax £000	2016 Deferred tax £000	Total tax £000	Current tax £000	2015 Deferred tax £000	Total tax £000
Recognised in profit and loss account	5,313	(1,345)	3,968	4,384	82	4,466
Recognised in other comprehensive income	-	(1,420)	(1,420)	(77)	2,978	2,901
Total tax	5,313	(2,765)	2,548	4,307	3,060	7,367

Analysis of current tax recognised in profit and loss

	2016 £000	2015 £000
UK corporation tax	3,420	1,755
Foreign tax	1,893	2,629
Total current tax recognised in profit and loss	5,313	4,384

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	19,764	18,534
Total tax expense	3,968	4,466
Profit excluding taxation	23,732	23,000
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	4,746	4,658
Effect of tax rates in foreign jurisdictions	(521)	(364)
Reduction in tax rate on deferred tax balances	(206)	(286)
Non-deductible expenses	60	595
Non-taxable income	(32)	-
Enhanced research and development tax relief relating to current year	(200)	(399)
Prior year adjustment for corporation tax	(413)	5
Non qualifying depreciation	242	256
Other	7	1
Overseas imputed interest	279	-
Deferred tax not recognised	6	-
Total tax expense included in profit or loss	3,968	4,466

A reduction in the UK Corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the group's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

Notes (continued)

10 Intangible assets and goodwill

Group

	Patents and trade- marks £000	New product development costs £000	Goodwill £000	Total £000
Cost				
Balance at 1 January 2016	103	43,227	35,092	78,422
Additions – internally developed net of financing received	-	8,044	-	8,044
Disposals	-	(10,046)	-	(10,046)
Balance at 31 December 2016	103	41,225	35,092	76,420
Amortisation and impairment				
Balance at 1 January 2016	(52)	(19,429)	(17,737)	(37,218)
Amortisation for the year	(5)	(6,515)	(1,755)	(8,275)
Disposals	-	10,046	-	10,046
Balance at 31 December 2016	(57)	(15,898)	(19,492)	(35,447)
Net book value				
At 31 December 2016	46	25,327	15,600	40,973
At 1 January 2016	51	23,798	17,355	41,204

Company

	Patents and trade- marks £000	New product development costs £000	Goodwill £000	Total £000
Cost				
Balance at 1 January 2016	103	43,228	33,209	76,540
Additions – internally developed net of financing received	-	8,044	-	8,044
Disposals	-	(10,046)	-	(10,046)
Balance at 31 December 2016	103	41,226	33,209	74,538
Amortisation and impairment				
Balance at 1 January 2016	(52)	(19,431)	(15,191)	(34,674)
Amortisation for the year	(5)	(6,515)	(1,661)	(8,181)
Disposals	-	10,046	-	10,046
Balance at 31 December 2016	(57)	(15,900)	(16,852)	(32,809)
Net book value				
At 31 December 2016	46	25,326	16,357	41,729
At 1 January 2016	51	23,797	18,018	41,866

Notes (continued)

11 Tangible fixed assets

<i>Group</i>	Freehold land and buildings £000	Leasehold land and buildings £000	Plant and Equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 January 2016	4,930	4,015	33,696	555	43,196
Additions	49	410	5,694	229	6,382
Disposals	-	(60)	(63)	(39)	(162)
Effect of movements in foreign exchange	-	25	227	38	290
Balance at 31 December 2016	4,979	4,390	39,554	783	49,706
Depreciation and impairment					
Balance at 1 January 2016	(1,832)	(1,145)	(24,964)	(269)	(28,210)
Depreciation charge for the year	(191)	(347)	(3,700)	(101)	(4,339)
Disposals	-	60	12	18	90
Effect of movements in foreign exchange	-	(2)	(97)	6	(93)
Balance at 31 December 2016	(2,023)	(1,434)	(28,749)	(346)	(32,552)
Net book value					
At 31 December 2016	2,956	2,956	10,805	437	17,154
At 1 January 2016	3,098	2,870	8,732	286	14,986
<i>Company</i>					
Cost					
Balance at 1 January 2016	4,930	3,861	30,524	26	39,341
Additions	49	269	4,163	-	4,481
Disposals	-	-	(56)	-	(56)
Balance at 31 December 2016	4,979	4,130	34,631	26	43,766
Depreciation and impairment					
Balance at 1 January 2016	(1,833)	(1,014)	(22,911)	(23)	(25,781)
Depreciation charge for the year	(191)	(283)	(3,038)	(1)	(3,513)
Disposals	-	-	8	-	8
Balance at 31 December 2016	(2,024)	(1,297)	(25,941)	(24)	(29,286)
Net book value					
At 31 December 2016	2,955	2,833	8,690	2	14,480
At 1 January 2016	3,097	2,847	7,613	3	13,560

Leased plant and machinery

At 31 December 2016 the net carrying amount of plant and equipment leased under a finance lease was £37,582 (2015: £127,890), and the net carrying amount of motor vehicles leased under a finance lease was £125,542 (2015: £104,058).

Notes (continued)

12 Fixed asset investments

Company	Shares at cost £000	Long term loan £000	Total investment in group undertakings £000
Cost and net book value			
At 1 January 2016	40	1,742	1,782
Investment in Alexander Dennis Mexico S.A. de C.V.	1	-	1
Share capital issued by Alexander Dennis Malaysia Sdn BHD	152	-	152
At 31 December 2016	193	1,742	1,935

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Alexander Dennis Inc ¹	US	Sale of buses and related aftermarket activities	100%
Alexander Dennis (Asia Pacific) Limited ²	Hong Kong	Sale of buses and related aftermarket activities	100%
Plaxton Holdings Limited ³	UK	Holding company	100%
Plaxton Limited * ³	UK	Dormant company	100%
Alexander Dennis (New Zealand) Limited ⁴	New Zealand	Aftermarket activities	100%
Alexander Dennis Australia Pty Limited ⁵	Australia	Holding company	100%
Alexander Dennis Canada ⁶	Canada	Sale of buses and related aftermarket activities	100%
Alexander Dennis (Singapore) Service Pte Ltd ⁷	Singapore	Aftermarket activities	100%
Alexander Dennis Malaysia Sdn BHD ⁸	Malaysia	Sale of buses and related aftermarket activities	100%
Alexander Dennis Germany GMBH ⁹	Germany	Holding company	100%
Alexander Dennis Mexico S.A. de C.V. ¹⁰	Mexico	Sale of buses and related aftermarket activities	100%

* held indirectly

Registered office:

¹ 31566 Railroad Canyon Road, #342, Canyon Lake, CA 92587

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³ Plaxton Park, Cayton Low Road, Eastfield, Scarborough, YO11 3BY

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Notes (continued)

13 Other financial assets

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Other financial assets				
Derivative financial instruments	14,309	7,230	16,995	7,694
Derivative financial instruments – due after more than one year	4,825	10,235	5,629	10,267
	<u>19,134</u>	<u>17,465</u>	<u>22,624</u>	<u>17,961</u>

14 Stocks

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Raw materials and consumables	26,908	28,131	26,908	28,131
Work in progress	23,110	23,658	23,097	23,658
Finished goods	35,884	27,408	28,478	22,383
	<u>85,902</u>	<u>79,197</u>	<u>78,483</u>	<u>74,172</u>

15 Debtors

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Trade debtors	42,546	56,922	29,698	29,405
Amounts recoverable on contracts	40,163	65,391	225	225
Amounts owed by group undertakings	-	-	61,994	89,947
Other debtors	449	607	448	162
Corporation tax recoverable	226	-	191	243
Prepayments and accrued income	11,283	8,425	5,472	4,890
	<u>94,667</u>	<u>131,345</u>	<u>98,028</u>	<u>124,872</u>

Company

At 31 December 2016 an amount of £4,563,000 (2015: £10,304,000) was due after more than one year from subsidiary undertakings.

Notes (continued)

16 Cash and cash equivalents/ bank overdrafts

	2016 £000	2015 £000
Group		
Cash at bank and in hand	22,219	33,420
	<u>22,219</u>	<u>33,420</u>
Company		
Cash at bank and in hand	16,722	23,028
	<u>16,722</u>	<u>23,028</u>

17 Creditors: amounts falling due within one year

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Trade creditors	77,861	98,699	74,898	97,913
Payments received on account for contract work	52,050	54,697	583	1,392
Amounts owed to group undertakings	-	-	7,508	4,929
Taxation and social security	13,936	12,676	15,326	13,780
Other creditors	3,586	4,495	3,948	4,090
Accruals and deferred income	23,921	22,500	22,644	21,790
UK and overseas corporation tax	-	1,189	-	-
Obligations under finance leases (see note 19)	85	128	20	81
Other financial liabilities (see note 20)	4,053	2,430	4,089	2,479
	<u>175,492</u>	<u>196,814</u>	<u>129,016</u>	<u>146,454</u>

18 Creditors: amounts falling after more than one year

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Bank loans and overdrafts (see note 19)	26,758	46,587	26,758	46,587
Amounts owed to group undertakings	-	-	46,707	55,672
Obligations under finance leases (see note 19)	68	75	-	20
Other financial liabilities (see note 20)	3,755	59	3,768	184
	<u>30,581</u>	<u>46,721</u>	<u>77,233</u>	<u>102,463</u>

Notes (continued)

19 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Creditors falling due more than one year				
Secured bank revolving credit facility	27,000	47,000	27,000	47,000
Unamortised bank facility costs	(242)	(413)	(242)	(413)
Finance lease liabilities	68	75	-	20
	<u>26,826</u>	<u>46,662</u>	<u>26,758</u>	<u>46,607</u>
Creditors falling due within less than one year				
Finance lease liabilities	85	128	20	81
	<u>85</u>	<u>128</u>	<u>20</u>	<u>81</u>
Analysis of debt				
	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In less than one year	85	128	20	81
Between one and two years	26,796	59	26,758	20
Between two and five years	30	46,603	-	46,587
	<u>26,911</u>	<u>46,790</u>	<u>26,778</u>	<u>46,688</u>

The UK bank facilities are secured by means of a floating charge over the Group's assets and a standard security and legal charge on the company's freehold properties.

As set out in the strategic report, the facilities are committed until June 2018 and interest is charged based on LIBOR plus a ratchet.

Notes (continued)

19 Interest-bearing loans and borrowing (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	85	128
Between one and five years	68	75
	<u>153</u>	<u>203</u>
Company	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	20	81
Between one and five years	-	20
	<u>20</u>	<u>101</u>

Additional borrowing facilities

At 31 December, the Group had undrawn committed borrowing facilities, in respect of which all conditions precedent had been met, as follows:

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Expiring between one and two years	57,124	-	52,528	-
Expiring between two and five years	-	33,376	-	32,651
	<u>57,124</u>	<u>33,376</u>	<u>52,528</u>	<u>32,651</u>

During a previous year, the group entered into an agreement with its bankers whereby the trade debts of approved customers would be assigned to the bank and discounted in the ordinary course of business. The value of the associated debtors are received in full subject to a discounting charge which is included in interest costs in the profit and loss account. The group will not make good any loss and the bank have confirmed their acceptance of this position in writing.

Notes (continued)

20 Other financial liabilities

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Amounts falling due after more than one year				
Derivative financial instruments	3,755	59	3,768	184
Amounts falling due within one year				
Derivative financial instruments	4,053	2,430	4,089	2,479

21 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 £000	2015 £000	Liabilities 2016 £000	2015 £000
Accelerated capital allowances – research and development	-	-	(3,386)	(2,750)
– other	504	239	-	-
Unused tax losses	2,222	467	-	-
Other	-	-	(491)	(539)
Derivative financial instruments	1,213	130	(2,632)	(2,961)
Tax assets / (liabilities)	3,939	836	(6,509)	(6,250)
Net of tax liabilities/(assets)	(3,939)	(836)	3,939	836
Net tax liabilities	-	-	(2,570)	(5,414)
Company	Assets 2016 £000	Assets 2015 £000	Liabilities 2016 £000	Liabilities 2015 £000
Accelerated capital allowances – research and development	-	-	(3,386)	(2,750)
– other	504	467	-	-
Other	-	-	(257)	(270)
Derivative financial instruments	-	-	(2,622)	(2,921)
Tax assets / (liabilities)	504	467	(6,265)	(5,941)
Net of tax liabilities/(assets)	(504)	(467)	504	467
Net tax liabilities	-	-	(5,761)	(5,474)

Notes (continued)

22 Warranty provision

Group	Product warranty £000
Balance at 1 January 2016	4,103
Provisions made during the year	13,599
Provisions used during the year	(10,303)
Balance at 31 December 2016	7,399
Company	Product warranty £000
Balance at 1 January 2016	2,670
Provisions made during the year	6,633
Provisions used during the year	(5,211)
Balance at 31 December 2016	4,092

23 Share based payments

One share option scheme was in operation during the year. The options are exercisable on or after the third anniversary of the date of the grant, subject to continued employment. The options are treated as equity settled, and they have fully vested.

The terms and conditions of the grants are as follows:

Grant date	Method of settlement accounting	Number of instruments	Exercise price per ordinary share	Contractual life of options
Equity settled award granted in April 2007	Equity	939,560	£6.722	10 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2016	Number of options 2016	Weighted average exercise price 2015	Number of options 2015
Outstanding at the beginning of the year	£6.722	939,560	£6.722	939,560
Exercised during the year	-	-	-	-
Outstanding at the end of the year	£6.722	939,560	£6.722	939,560
Exercisable at the end of the year	-	939,560	-	939,560

This information is applicable to both the Group and the Company, with the only share option schemes in operation by the Group during the year being by the Company. The options are fully vested and there is no share based payment charge during the year.

Notes (continued)

24 Capital and reserves

Share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
16,990,535 ordinary shares of 1p each	170	170

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Other comprehensive income

2016 Group

	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	-	(8,658)	(8,658)
Effective portion of changes in fair value of cash flow hedges	(62)	-	(62)
Net change in fair value of cash flow hedges recycled to profit or loss	(5,116)	-	(5,116)
Net change in fair value of cash flow hedges recycled to stock	94	-	94
Taxation on other comprehensive income	1,420	-	1,420
<i>Total other comprehensive income</i>	<u>(3,664)</u>	<u>(8,658)</u>	<u>(12,322)</u>

2015 Group

	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	-	4,522	4,522
Effective portion of changes in fair value of cash flow hedges	13,200	-	13,200
Net change in fair value of cash flow hedges recycled to profit or loss	1,525	-	1,525
Net change in fair value of cash flow hedges recycled to stock	(237)	-	(237)
Taxation on other comprehensive income	(2,901)	-	(2,901)
<i>Total other comprehensive income</i>	<u>11,587</u>	<u>4,522</u>	<u>16,109</u>

Notes (continued)

24 Capital and reserves (continued)

Other comprehensive income

2016

Company

	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	-	696	696
Effective portion of changes in fair value of cash flow hedges	3,471	-	3,471
Net change in fair value of cash flow hedges recycled to profit or loss	(5,531)	-	(5,531)
Net change in fair value of cash flow hedges recycled to stock	94	-	94
Income tax on other comprehensive income	298	-	298
<i>Total other comprehensive income</i>	<u>(1,668)</u>	<u>696</u>	<u>(972)</u>

2015

Company

	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	-	101	101
Effective portion of changes in fair value of cash flow hedges	13,452	-	13,452
Net change in fair value of cash flow hedges recycled to profit or loss	1,144	-	1,144
Net change in fair value of cash flow hedges recycled to stock	(237)	-	(237)
Income tax on other comprehensive income	(2,872)	-	(2,872)
<i>Total other comprehensive income</i>	<u>11,487</u>	<u>101</u>	<u>11,588</u>

Reserves

Share premium represents amounts received during the sale of share capital over and above the par value of the shares.

The capital redemption reserve represents amounts retained as fixed capital following redemptions of share capital under company legislation.

The cash flow hedging reserve represents the fair value movement in derivative financial instruments to which hedge accounting after tax has been applied.

The profit and loss account reserve presents accumulated comprehensive income for the year and prior periods less dividends paid.

Notes (continued)

25 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016 £000	2015 £000
Assets measured at fair value through profit or loss	19,134	17,465
Assets measured at amortised cost	94,667	131,345
Liabilities measured at fair value through profit or loss	(7,808)	(2,489)
Liabilities measured at amortised cost	(198,265)	(241,046)

(b) Financial instruments measured at fair value

Derivative financial instruments

The Group enters into forward foreign exchange contracts to mitigate the exchange rate risk for certain foreign currency transactions. The forward currency contracts are measured at fair value, which is based on the mid-market price at the close of business of the year end date.

(c) Hedge accounting

Cash flow hedging

The Group uses cash flow hedging in order to mitigate the exchange rate risk for certain foreign currency transactions. These include both sale transactions and the purchasing of stock and related costs. The fair value of cash flow hedging instruments at 31 December 2016 was £11,326,000 net financial asset (2015: £14,976,000 net financial asset). The amount of change in fair value of cash flow hedging instruments recognised by the Group in other comprehensive income for the period was £62,000 decrease (2015: £13,200,000 increase).

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

2016

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years or more £000
Forward exchange contracts:						
Assets	19,134	(99,482)	(72,544)	(25,935)	(1,003)	-
Liabilities	(7,808)	37,604	23,865	(1,278)	15,017	-
	<u>11,326</u>	<u>(61,878)</u>	<u>(48,679)</u>	<u>(27,213)</u>	<u>14,014</u>	<u>-</u>

2015

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years or more £000
Forward exchange contracts:						
Assets	17,465	(46,609)	(46,472)	(26,521)	26,384	-
Liabilities	(2,489)	(23,785)	(16,403)	(7,382)	-	-
	<u>14,976</u>	<u>(70,394)</u>	<u>(62,875)</u>	<u>(33,903)</u>	<u>26,384</u>	<u>-</u>

Notes (continued)

25 Financial instruments (continued)

(c) Hedge accounting (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

2016

	Carrying amount £000	Expected cash flows £000	Recognised in current year £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000
Forward exchange contracts:						
Assets	19,134	(99,482)	(17,791)	(65,205)	(18,158)	1,672
Liabilities	(7,808)	37,604	(10,278)	36,710	(4,559)	15,729
	<u>11,326</u>	<u>(61,878)</u>	<u>(28,069)</u>	<u>(28,495)</u>	<u>(22,717)</u>	<u>17,401</u>

2015

	Carrying amount £000	Expected cash flows £000	Recognised in current year £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000
Forward exchange contracts:						
Assets	17,465	(46,609)	(8,026)	(52,018)	(14,432)	27,867
Liabilities	(2,489)	(23,785)	2,503	(20,111)	(6,177)	-
	<u>14,976</u>	<u>(70,394)</u>	<u>(5,523)</u>	<u>(72,129)</u>	<u>(20,609)</u>	<u>27,867</u>

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2016 £000	Fair value 2015 £000
Derivative financial instrument	<u>11,326</u>	<u>14,976</u>

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Less than one year	4,695	4,048	3,564	3,352
Between one and five years	8,600	8,733	6,345	7,544
More than five years	5,299	6,125	4,957	6,125
	<u>18,594</u>	<u>18,906</u>	<u>14,866</u>	<u>17,021</u>

During the year £4,722,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £4,084,000).

Notes (continued)

27 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £264,000 (2015: £458,000). Authorised but not contractual commitments to purchase tangible fixed assets at the year-end were £103,000 (2015: £209,000).

28 Contingencies

There are contingent liabilities in relation to indemnities provided to Bank of Scotland and HSBC to the value of £12,187,344 (2015: £13,891,702) for performance bonds and advance payment guarantees. Included in this amount are £8.2 million regarding an advance payment guarantee and £4.0 million regarding performance bonds. These amounts represent 20% of any potential liability arising with the remaining 80% underwritten by the UK government export credit agency. There are also contingent liabilities in relation to indemnities provided to customers to the value of £8,499,236 (2015: £21,320,309) for guarantees of performance obligations. All relate to contracts entered into in the ordinary course of business.

29 Related parties

Identity of related parties with which the Group has transacted

Related parties comprise wholly owned Group companies. Transactions with related parties were carried out at arms-length agreed terms, conditions and prices. The Group and company have taken advantage of the exemption within FRS102 Section 33 paragraph 33.1A from the requirement to disclose transactions with other wholly owned companies in the same group.

Sir Brian Souter and Ann Gloag collectively hold, via companies that they control, 55.1% (2015: 55.1%) of the shares and voting rights in Alexander Dennis Limited. Noble Grossart Investments Limited (of which Sir Ewan Brown (Non-Executive Director of Stagecoach) is a director of its holding company) controls a further 33.2% of the shares and voting rights of the company. However, by virtue of the shareholders agreement, the Directors are of the view that there is no ultimate controlling party.

They are also Chairman (Sir Brian Souter) and Non-Executive Directors in Stagecoach Group which is a customer of Alexander Dennis Limited. Neither Sir Brian Souter, Ann Gloag or Sir Ewan Brown are directors of nor do they have any involvement in the management of Alexander Dennis Limited. Furthermore, they do not participate in deciding on and negotiating the terms and conditions of transactions between Alexander Dennis Limited and Stagecoach Group.

In addition to Stagecoach Group, Sir Brian Souter also has interests in the following companies which the Group has transacted with during the period:

- Howick & Eastern Buses Ltd
- Reesby Rotorua Ltd
- Fullers Group Ltd
- Mana Coach Services Ltd
- Souter Holdings Poland Sp.zo.o

For the year ended 31 December 2016, the Group sold £118.1m (2015: £76.6m) of vehicles and £5.9m (2015: £5.8m) of spare parts and other services to the above named Companies, including Stagecoach Group.

As at 31 December 2016, the Group had £2.2m (2015: £1.7m) outstanding receivables, along with outstanding orders of £63.2m (2015: £43.9m).

Transactions with key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £4,260,000 (2015: £3,742,000).

Notes (continued)

30 Ultimate controlling party

The shareholders of the group are the controlling parties but by virtue of the shareholders agreement, the directors, are of the view that there is no overall controlling party. The holder of the majority of the ordinary shares is HGT Investments Limited.

The largest and smallest group in which the results of the Company and its group are consolidated is that headed by Alexander Dennis Limited.

31 Analysis of changes in net debt

<i>Group</i>	As at 31 December 2015 £000	Cash flow £000	Non-cash movements £000	As at 31 December 2016 £000
Cash at bank and in hand	33,420	(11,201)	-	22,219
Short term cash deposits	-	-	-	-
Total cash and cash equivalents	33,420	(11,201)	-	22,219
Debt due within one year				
Overdrafts	-	-	-	-
Finances leases – due within one year	(128)	126	(83)	(85)
	(128)	126	(83)	(85)
Debt due after 1 year				
Term loan – due after one year	(47,000)	20,000	-	(27,000)
Balance of related facility charge	413	-	(171)	242
Finance leases due after one year	(75)	-	8	(67)
	(46,662)	20,000	(163)	(26,825)
Total gross debt	(46,790)	20,126	(246)	(26,910)
Total net debt	(13,370)	8,925	(246)	(4,691)

Notes (continued)

32 Notes to the cash flow statement

	2016 £000	2016 £000	2015 £000	2015 £000
Cash flows from operating activities				
Profit for the year		19,764		18,534
<i>Adjustments for:</i>				
Amortisation of intangible assets	8,275		8,538	
Depreciation of tangible assets	4,339		3,750	
Amortisation of government grants	(473)		(1,029)	
		12,141		11,259
Interest payable and similar charges		2,456		2,633
Other interest receivable and similar income		(20)		(498)
Non-recurring operational costs		835		1,095
Taxation		3,968		4,466
EBITDA and non-recurring items		39,144		37,489
Other non-cash operating items				
(Gain)/loss on sale of tangible fixed assets		(8)		1
(Gain) on sale of intangible fixed assets		-		(101)
Release of provision on disposal of subsidiary undertaking		-		(385)
Foreign exchange movement		(8,837)		4,808
Non-recurring non cash operating items		(150)		(612)
		30,149		41,200
Working capital cash items:				
Decrease/(Increase) in trade and other debtors		35,134		(25,507)
(Increase) in stocks		(6,705)		(13,299)
(Decrease)/Increase in trade and other creditors		(21,589)		13,045
Increase/(Decrease) in provisions and employee benefits		3,296		(86)
		40,285		15,353
Other cash operating items				
Interest paid		(2,594)		(2,912)
Interest received		20		50
Dividends paid		(8,000)		(7,815)
Tax paid		(5,814)		(2,168)
Non-recurring cash operating items		(685)		(483)
Net cash from operating activities		23,212		2,025